

Recommendations For Cuyahoga County's Banking Services Contracts

**Prepared By a Joint Committee of
The Cuyahoga County Housing Stakeholders and
The Greater Cleveland Reinvestment Coalition
August 12, 2019**

In the past 13 months research studies conducted independently by the Western Reserve Land Conservancy¹, Cleveland State University², the Fair Housing Center For Rights and Research³, and the Federal Reserve Bank of Cleveland⁴, have each found significant disparities in access to mortgage lending in Cuyahoga County for African American borrowers and majority African American communities when compared to their white counterparts. Lack of access to home purchase and home repair loans undermines housing market recovery in a substantial portion of Cuyahoga County and, more importantly, undermines the county's property tax base and much needed revenue for municipal school, police, fire and social services. A 2014 study by the Western Reserve Land Conservancy found that as a result of the uneven housing market recovery, depressed property values in Cleveland and five inner-ring suburbs caused a shift of nearly \$45 million in real property tax burden to Cuyahoga County's other 53 communities⁵.

Cuyahoga County is presently in the process of selecting one or more banks to serve as the depository for \$600 million of county funds. Instead of rewarding financial institutions whose policies and practices are contributing to economic distress, the County is now in a unique position to do just the opposite: leverage its enormous assets to reward one or more banks for an increased commitment to equity and fairness in home purchase and home repair mortgage lending.

The following recommendations are submitted with the goal of maximizing the success of the depository contracts with selected banks.

- 1. Mortgage Lending Performance Goals.** The most recent study by the Western Reserve Land Conservancy provided detailed data on the performance of local banks (including the six banks that have responded to the County's Request for Proposals) with respect to areas of unmet and undermet credit needs. Each contract awarded should state projected target goals on an annual calendar year basis that represent an improvement over the bank's past performance in the following specific categories and geographies:
 - a. Home purchase loan originations county-wide.
 - b. Home improvement loan originations county-wide.
 - c. Home purchase loan originations in the East Side of Cleveland.

¹ https://www.wrlandconservancy.org/wp-content/uploads/2019/07/Cuyahoga-Housing-Trends-2019_7-30-19.pdf

² https://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2605&context=urban_facpub

³ <http://www.thehousingcenter.org/wp-content/uploads/2018/07/Cuyahoga-County-Mortgage-Lending-Patterns-2018-BEST-FOR-PRINT.pdf>

⁴ <https://www.clevelandfed.org/newsroom-and-events/publications/a-look-behind-the-numbers/albtn-20181128-hmda-summary>

⁵ <http://s3.documentcloud.org/documents/1096130/the-cost-of-vacancy.pdf>

- d. Home purchase loan originations in the East Inner Suburbs.
 - e. Home improvement loan originations in the East Side of Cleveland.
 - f. Home improvement loan originations in the East Inner Suburbs.
 - g. Participation in home improvement loan programs designed to increase borrower participation and success. Examples include the County's Home Enhancement Loan Program (HELP), the Heritage Loan Program, the Home Repair Resource Center's Challenge Loan Program and Lakewood Alive's Pride Fund.
 - h. Home purchase loan originations to low and moderate income borrowers.
 - i. Home purchase loan originations for loans in the amount of \$50,000 and less.
 - j. Home purchase loan denial rates for white and black applicants.
 - k. Home repair loan denial rates for white and black applicants.
2. **Number of Contracts.** We believe the County should not limit its award to a single bank. We believe the County should leverage its assets to encourage more financial institutions to improve their performance.
 3. **Length of Contract.** The County should consider adopting the method employed by the City of Cleveland – a Request for Proposals is issued every two years for banking services contracts. If a longer term is desired we believe it should be no longer than 4 years. In any case, regardless of the length of term, there should be a mechanism for terminating the contract for failure to meet the performance goals referenced above, based on a periodic review of performance data as outlined below. A bank should not have the benefit of holding public funds for multiple years without the threat of the contract being terminated if performance isn't what was promised.
 4. **Submitting Data.** In order to facilitate timely review of performance data, each bank should be required to submit their Home Mortgage Disclosure Data (HMDA) in the same form they submit it to the Federal government, which is the Loan Application Register (LAR), with two additional geographic indicators – location of the loan application by City of Cleveland statistical planning areas (SPAs) and by municipality. Each bank holding public funds from the County should submit their LAR data as an Excel file (not paper or PDF) at six month intervals. Data for the period January 1 through June 30 should be submitted by July 31 and data for the period January 1 through December 31 should be submitted by January 31.
 5. **Data Analysis.** Within 30 days after receipt of the above referenced data, the County should produce an analysis of the data based on the performance goals, geographies and loan types outlined in paragraph 1, above. The January – June data analysis should be completed by August 31 and the January – December data analysis should be completed by the end of February. It is recommended that the County budget for engaging the services of an experienced researcher to perform this analysis. As noted in the introduction to these recommendations, no less than four local agencies have issued research reports analyzing HMDA data in the past year.
 6. **Advisory Committee.** Cuyahoga County should create a citizen advisory committee to assist the county in making sure that the credit needs of underserved communities, and in particular the historically unmet credit needs of African American borrowers and communities, are being met by the banks who are awarded the privilege of holding Cuyahoga County funds. The Advisory Committee should meet no less than twice a year, to review the data analysis described in paragraph 5 above and provide recommendations to the County concerning the ongoing

performance of banks during their contract periods, e.g., a mid-year meeting in September and an end-of-year meeting in March. The Advisory Committee should, at minimum, be composed of at least one representative from each of the following organizations, subject to their willingness to serve:

- Greater Cleveland Reinvestment Coalition
- Cuyahoga County Housing Stakeholders
- Western Reserve Land Conservancy
- First Suburbs Consortium
- Cleveland Neighborhood Progress
- City of Cleveland
- Fair Housing Center For Rights and Research
- Vacant and Abandoned Property Action Council
- National Association for the Advancement of Colored People (NAACP)
- CHN Partners
- Enterprise Community Partners
- Empowering and Strengthening Ohio's People
- Home Repair Resource Center
- Community Housing Solutions

Additional members of the Advisory Committee could be considered, consistent with the goals and objectives outlined above.

- 7. Annual Public Hearing and Report Card.** In April of each year, following the annual March review of bank performance by the Advisory Committee, the County should convene an annual public hearing to present a "report card" showing the lending performance of the banks serving as depositories of county funds. The hearing would also present an opportunity to obtain feedback from members of the public as well as from housing and community development practitioners.
- 8. Contracts Should Be A Public Record.** In the interest of transparency and furthering community education and involvement, each individual bank contract should state that the parties to the contract agree that the contract is to be deemed a public record. Each contract for banking services should be posted on the county's website for easy access by citizens.
- 9. Comprehensive County-Wide Annual Data Review.** In addition to the analysis of specific banks selected to be depositories, the county should engage the services of an experienced researcher to conduct an annual review of all institutions making loans in Cuyahoga County, using, at minimum, the same performance indicators outlined in paragraph 1. This would track industry-wide lending trends throughout the county, and would show how the selected depository banks are performing in relation to their peers. Because the HMDA data is not typically released by the Federal government until August or later, an annual comprehensive analysis should be targeted for late fall or early winter.

For additional information please contact Frank Ford, Western Reserve Land Conservancy, at fford@wrlandconservancy.org or 1-216-407-4156.